

VZCZCXRO6195
RR RUEHGR
DE RUEHGR #0129 2622035
ZNR UUUUU ZZH
R 182035Z SEP 08
FM AMEMBASSY GRENADA
TO RUEHC/SECSTATE WASHDC 0484
INFO RUEHWN/AMEMBASSY BRIDGETOWN 0520
RUEHGR/AMEMBASSY GRENADA 0565

UNCLAS GRENADA 000129

SIPDIS

E.O. 12958: N/A

TAGS: [EFIN](#) [ECON](#) [SOCI](#) [XL](#) [GJ](#)

SUBJECT: GRENADA WEEKLY ACTIVITY REPORT FOR SEPTEMBER 7 - 13, 2008

11. (U) Embassy Grenada's weekly report (GWAR) provides a little detail about events of interest that do not merit longer reporting at this time.

12. (U) Begin GWAR text:

1A. VAT to be put on hold

Grenada's Minister for Finance Nazim Burke announced that the government will not implement Value Added Tax (VAT) until October 2009 because the previous government had failed to leave a foundation in place for the new tax regime. He added that Caribbean Regional Technical Assistance Centre (CARTAC) officials advised the government that it would be impractical to institute the VAT before the final quarter of 2009. In a review of the tax system, earlier this year, the IMF had recommended that Grenada implement the VAT system urgently as part of its tax reform measures.

The National Reconstruction Levy (NRL), instituted after Hurricane Ivan devastated the country in 09/2004, is scheduled to expire on December 31, 2008. If VAT implementation is delayed for another year, it is not clear what income the government will have to support operations, let alone to fulfill its campaign promises to increase pensions and reduce the cost of living.

1B. Grenada teachers and civil servants get paid

The Government of Grenada took power declaring that the treasury was empty. However, last week teachers received over US\$833,000 in back pay, fulfilling an agreement signed by the previous government and the Grenada Union of Teachers (GUT) in June 2008.

At the same time, teachers received one-time payments totaling nearly US\$2 million covering 2007. The government has already paid more than US\$9 million in retroactive payments to various public officers and civil servants, even though the Minister for Finance had announced that there was not enough money to pay civil servants salaries for August.

1C. IMF makes second visit in three months

A delegation from the International Monetary Fund (IMF) returned to Grenada for the second time since the new government took office on July 9, to conduct the second review of the IMF-supported Poverty Reduction and Growth Facility (PRGF) program. While in Grenada the team will meet with the Minister for Finance, other government officials, as well as representatives of the public and private sectors. Among other economic matters, discussions will focus on recent economic developments and Grenada's present fiscal performance.

End text.

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